REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Energy Policy Decisionmaking, Organization, And National Energy Goals

An effective Federal energy structure is essential to the development of a cohesive national energy policy. At present, the management and control of Federal energy programs is spread throughout a number of agencies with varying charters and legislative mandates. By consolidating energy functions, the Government could deal more effectively with the long-term and complex nature of the Nation's energy problems.

A number of proposals have been made to reorganize Federal energy activities, including the administration's proposal for a Department of Energy. This report discusses some of the proposals and recommends that the Congress enact legislation along the general lines proposed by the administration. The report discusses several issues which the Congress should address in enacting such legislation.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report identifies a number of gaps in the energy policy decisionmaking process which show the need for better coordination among agencies carrying out energy functions and for establishing a system of priorities among energy goals. In addition, the report discusses energy reorganization and several issues which the Congress should address in enacting legislation to reorganize the Federal energy structure.

Our work was done at the request of Senators Ribicoff and Percy as Chairman and ranking minority member of the Senate Committee on Government Operations (now the Senate Committee on Governmental Affairs). We made our review pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to Mr. James R. Schlesinger, Assistant to the President; the Director, Office of Management and Budget; the Administrators of the Federal Energy Administration and the Energy Research and Development Administration; the Secretary of the Interior; the Chairman, Federal Power Commission; the Chairman, Nuclear Regulatory Commission; the Chairman and ranking minority member, Senate Committee on Governmental Affairs; and the Chairman, House Committee on Government Operations.

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

ENERGY POLICY DECISIONMAKING, ORGANIZATION, AND NATIONAL ENERGY GOALS

D I G E S T

How does the Federal energy establishment--a number of separate U.S. agencies--function? What problems exist in the relationships of these agencies with each other? How is energy policy presently made by the Government? What is the current relationship between energy decisions and national energy goals?

The primary Federal energy agencies are the Federal Energy Administration, Energy Research and Development Administration, Federal Power Commission, and Department of the Interior.

In carrying out their separate missions, the agencies do not always take actions or make decisions that are compatible with overall national energy goals. Moreover, it is possible that various trade-offs and compromises between and among individual energy goals are not given full consideration.

ENERGY POLICY DECISIONMAKING

For the purposes of this report, energy policy decisions are divided into three broad areas:

--energy conservation;

--development of nonrenewable energy resources; and

--energy price regulation.

There are a number of gaps in the energy policy-decisionmaking process in each of these areas showing the need for better coordination among agencies carrying out energy functions and for establishing a system of priorities among energy goals. (See cn. 2.)

ENERGY CONSERVATION

There are serious gaps in Federal efforts to conserve energy. There is

--not sufficient public concern with the need to conserve energy because in the public view there has been, until this winter, an adequate energy supply. (See p. 7.)

--a general lack of incentives and/or disincentives to encourage adoption and application of energy conservation measures. (See p. 8.)

--an imbalance in the funding levels between programs designed to conserve energy and to increase energy supply. (See pp. 9 and 10.)

--a conflict between the regulated price of energy and energy conservation; as a result price does not influence energy-use decisions as much as it could. (See pp. 10 and 19.)

NONRENEWABLE ENERGY RESOURCE DEVELOPMENT

Nonrenewable energy resources will be relied on heavily in the short term to meet domestic supply needs, while new technologies (both renewable and nonrenewable) will have to be developed to meet the Nation's mid- and long-term needs.

Federal energy resource development programs require effective coordination. However, GAO found that these efforts were not sufficiently coordinated. Specifically there is a lack of

--energy production targets or goals, (see p. 13);

--estimates or forecasts of the energy resources needed to meet future energy needs, (see p. 13); and,

--an effective mechanism to bridge the gap between energy technology research and development and commercialization of the technology. (See p. 16.)

ENERGY PRICE REGULATION

Price regulation can be viewed as incompatible with some energy conservation and resource development goals. With respect to energy conservation, price is held lower than it would be otherwise and so is not as great a factor as it might be in energy-use decisions. And, with respect to resource development, regulation tends to have a negative effect on the accumulation of capital for energy development. (See pp. 17-19.)

Essentially there are two options available: creation of a more stable regulatory environment which clearly signals the Government's regulatory intentions to industry and deregulation.

With continued regulation, there are steps the Government can take to provide a more stable environment and lessen the impact of price regulation. (See p. 20.) These include:

--Changing the current price regulatory policies with respect to conventional petroleum and natural gas production. (There is a general consensus that higher prices would result in at least some increase of supplies and also increase industry's ability to recover capital investment costs through future selling prices.)

--Using tax and regulatory policies to stimulate development of difficult to recover resources and resources requiring new technology.

--Developing a better recognition of the relationship between the regulated price of energy and energy conservation, including an assessment of additional price incentives or disircentives to encourage conservation actions.

ENERGY REORGANIZATION

A number of remedies are available to close the gaps in the energy-decisionmaking process. The one common to most is a reorganization of Federal energy functions.

GAO proposed a Department of Energy and Natural Resources in 1974 and continues to believe that the best long-term approach to solving energy and related natural resource problems is the establishment of a Department of Energy and Natural Resources. The focus now, however, is on a Department of Energy. (See p. 23.)

Nothing in the legislation proposed by the administration is inconsistent with the movement toward the establishment of a Department of Energy and Natural Resources.

RECOMMENDATIONS

The Congress should enact legislation to establish a Department of Energy along the lines proposed by the administration.

In enacting such legislation, the Congress should include provisions to

--Make clear the continued existence of the Professional Audit Review Team which was designed to provide an independent review of and reporting on Federal energy data functions. (See pp. 35 and 36.)

--Provide the Department of Energy the responsibility for setting goals for the automobile fuel economy standards program, with the Department of Transportation having an advisory role. (See p. 37.)

--Specify more clearly the Department of Energy's responsibility for energy production formulation, planning, and programming to provide an appropriate basis for interface with agencies

having health and safety responsibilities. (See p. 39.)

--Make clear the relationship between the Department of Energy and the Department of the Interior with respect to whether or not the Secretary of the Interior has veto power in the leasing of specific areas. (See p. 42.)

--Establish a high-level council to coordinate energy and energy-related issues and reconcile energy goals with other national goals. (See p. 42.)

--Reaffirm GAO's authority to continuously monitor, evaluate, and report to the Congress on the policies, plans, and programs of the Department of Energy. (Close congressional scrutiny will be needed in several key areas.) (See p. 43.)

The Congress also needs to examine how energy regulatory functions should be treated in reorganizing energy functions. The administration's proposal would include in the new department only economic regulatory functions and certain other functions of the Interstate Commerce Commission and the Securities and Exchange Commission. It would not include health and safety regulation. (See pp. 37-39.)

The Congress should choose one of three options listed below:

--Include energy regulation--both economic and health and safety related--in the new Department of Energy. Both regulatory activities could be in separate agencies, but under a single Assistant Secretary. Statutory provisions should be included to assure maximum insulation of regulatory decisions from the policy process.

--Include only economic regulation in the new Department of Energy because of the perceived importance of establishing energy price regulatory policies which are consistent with other energy goals and consolidate energy health and safety regulation in a separate independent Energy Health and Safety Regulatory Agency. Strong statutory provisions should be included to assure maximum insulation of economic regulatory decisions from the policy prccess.

--Continue to separate energy regulation--both economic and health and safety related--from energy policy formulation. Should this be done, GAO believes that creation of a single energy regulatory agency is desirable. (See pp. 39 - 41.)

Contents

ABBREVIATIONS

DENR	Department of Energy and Natural Resources
DESNR	Department of Energy Supply and Natural Resources
EIA	Energy Independence Authority
EPA	Environmental Protection Agency
EPC	Energy Policy Council
ERC	Energy Resources Council
ERDA	Energy Research and Development Administration
FEA	Federal Energy Administration
FPC	Federal Power Commission
GAO	General Accounting Office
OPEC	Organization of Petroleum Exporting Countries
PART	Professional Audit Review Team

CHAPTER 1

INTRODUCTION

The management and control of Federal energy programs is spread throughout a number of agencies with varying charters and legislative mandates. The primary Federal energy agencies are the Federal Energy Administration (FEA), the Energy Research and Development Administration (ERDA), the Federal Power Commission (FPC), and the Department of the Interior.

FEA was created in 1974 as a response to the 1973 Arab oil embargo. While its role was initially to manage the short-term aspects of the Nation's energy problems, its role has since been expanded. FEA is the primary Federal agency responsible for energy policy development, energy data, and price regulation of crude oil and petroleum products. FEA's responsibilities include the development and promotion of nationwide programs to increase energy conservation efforts. FEA has a major impact on national energy policy through its policy formulation activities, its relationship with other energy agencies, and preparation of its annual report on possible energy futures for the Nation--the National Energy Outlook.

ERDA has primary responsibility for energy technology research, development, and demonstration. The degree of mid- and long-range energy self-sufficiency depends in large part on technological and economic breakthroughs; thus a strong research, development, and demonstration program is an integral part of energy policy development. ERDA prepares and publishes national plans for energy technology development--A National Plan For Energy Research, Development & Demonstration: Creating Energy Choices For The Future. The most recently published version of this plan underscores the contribution energy technology research, development, and demonstration can make to conservation efforts through improved efficiency.

The Department of the Interior manages the leasing and development of energy resources on Federal lands. Because of its large holdings of remaining fossil fuel energy resources--about half of the energy resources still remaining in the country, including an estimated 27 to 83 billion barrels of oil, 146 to 181 trillion cubic feet of gas, and 174 billion tons of coal--the Government is in a key position to shape future patterns of resource develop-

ment. How and when Interior makes these resources available for development is of critical importance to the development of a cohesive energy policy.

FPC regulates interstate sales of natural gas and electricity. Because of the importance of natural gas as an energy source, and the dependence of both the residential and industrial sectors on it for fuel, management of Federal programs affecting its development and availability are an integral part of energy policy development. How the price of natural gas is regulated can have a significant impact on its availability.

The activities of a number of other agencies--such as the Environmental Protection Agency (EPA), the Department of Transportation, and the Nuclear Regulatory Commission--impact on Federal energy efforts because their decisions affect energy use.

We identified a number of gaps in the energy policy decisionmaking process. These relate primarily to the need for better coordination among agencies carrying out energy functions and the need to establish a system of priorities among energy goals. These gaps, related issues, and suggested remedies for closing the gaps are discussed in this report.

Because of the great attention given in the past to the reorganization of energy functions of the Federal Government, and the attention that this issue is expected to receive in the 95th Congress, we have included our views on Federal energy reorganization in this report, including the pros and cons of several major energy reorganization proposals.

This report provides insight into the way in which the Federal energy establishment functions, how energy policymaking occurs, and identifies some of the institutional problems in the existing Federal energy structure. It appears that the Carter administration will redirect Federal energy efforts, select new energy priorities, and establish new energy goals. We believe that the issues discussed in this report will be relevant to the Congress as it considers the questions of Federal energy reorganization, energy priority and goal setting, and the resolution of trade-offs and conflicts inherent in these priorities and goals.

SCOPE OF REVIEW

Our work was undertaken in response to a May 12, 1976, request from Senators Ribicoff and Percy as Chairman and

ranking minority member of the Senate Committee on Government Operations (now the Senate Committee on Governmental Affairs). They asked us to consider the relationship between current energy decisions and national energy goals. Specifically, we were asked to:

--determine the consistency of current energy decisions with national energy goals;

--identify gaps in the decisionmaking process;

--determine, to the extent possible, the reasons for the gaps and whether flaws in the current energy organization are contributing factors; and

--provide thoughts on the compatibility of national goals other than energy with energy goals.

Our review dealt with the activities of the executive agencies having primary responsibility for energy policy decisionmaking--FEA, ERDA, FPC, and the Department of the Interior. We (1) identified national energy goals, (2) interviewed officials of the four energy agencies to determine the current energy policy decisions being made, (3) related these decisions to national energy goals, and (4) considered the consistency or inconsistency of these decisions to the goals.

CHAPTER 2

NATIONAL ENERGY GOALS AND ENERGY POLICY DECISIONMAKING

The primary Federal energy agencies--FEA, ERDA, Interior, and FPC--in carrying out their separate missions, do not always take actions or make decisions that are fully compatible with overall national energy goals even though the actions are usually consistent with agency missions. Moreover, because responsibility for these decisions is not centralized, it is possible that the effects of the various trade-offs and compromises between and among individual goals are not given full consideration in the decisionmaking process. The result is that Federal efforts to resolve the Nation's energy problems are hampered by a diffusion of responsibility among several agencies, resulting in less effective energy planning and decisionmaking than could otherwise exist. Moreover, while the current Federal energy decisionmaking process and structure have a great effect on the achievement of energy goals, energy policy decisionmaking also has an influence on goals other than energy.

The question of the relationship between energy goals and other national goals--economic, transportation, environmental, and others--is a complex problem. Energy goals and other national goals have multiple impacts on one another. The key issue in making these goals compatible is to carefully weigh their interrelationships and establish a system of priorities among the various goals. As a first step, however, it is essential to give priority to a sound centralized energy structure designed to provide a cohesive approach to energy policy formulation and development--such as a cabinet-level energy department. Also, as part of this first step, there is a need for a high-level coordinating council which, in addition to coordinating energy policies, would coordinate energy goals and issues with other national goals and issues. Once energy policy decisionmaking is established on a sound base, its role in relation to other national priorities can be reasonably assessed.

In order to illustrate how the energy policy-decisionmaking process has worked, and how it relates to national energy goals, this report discusses Federal agency energy actions in terms of three broad areas--energy conservation, nonrenewable resource development, and price regulation. For each of these areas, a number of issues pertinent to

the effective attainment of energy goals are discussed; gaps are identified, and remedies are suggested.

NATIONAL ENERGY GOALS

President Ford first stated three national energy goals in his 1975 state of the Union message. These goals were restated in his 1976 energy message, and he said that these goals were as reasonable and sound in 1976 as they were the year before. These goals are:

--To halt the Nation's growing dependence on imported oil during the next few critical years.

--To attain energy independence by 1985 by achieving invulnerability to disruptions caused by oil import embargoes; specifically, to reduce oil imports to between 3 and 5 million barrels a day, with an accompanying ability to offset any future embargo with stored petroleum reserves and emergency standby measures.

--To mobilize technology and resources to supply a significant share of the free world's energy needs beyond 1985.

These broad goals are supported by, and to be realized through, seven national energy policy objectives:

--Reducing dependence on imported energy.

--Reducing growth in energy demand.

--Adequate energy supplies.

--Increased domestic energy production with protection of the environment.

--A smooth transition to commercial availability of advanced technologies.

--Stable energy prices.

--Federal, State, and local cooperation to attain these objectives.

These goals and objectives were developed for President Ford's 1975 state of the Union message through a series of issue

papers and work sessions under the direction of the Energy Resources Council (ERC). 1/ Through these activities, ERC member agencies--Federal agencies involved in the development, regulation, management, and use of energy--all had input into the development of the energy goals and objectives.

While each of the policy objectives may not always be fully consistent with each of the other objectives, as a group, they attempt to set parameters for establishment of a balanced approach to attainment of energy goals. Attainment of these goals depends in large part on the decisions and programs executive agencies pursue to achieve them, as discussed on the following pages.

ENERGY CONSERVATION

The Government carries out energy conservation programs within the Federal establishment and in the private sector. The Government is a major energy user. It is a direct purchaser of fuels and electricity and a purchaser of energy-consuming services and products. Within the Federal establishment, programs are carried out to achieve energy conservation since the Government must set an example as an energy consumer. It is in the private sector, however, that the Government, through its policies and programs, can have the most significant impact on the use of energy. The Government must use its influence in the private sector to bring about effective energy conservation programs.

Many Federal agencies carry out energy conservation programs. Most of these agencies are indirectly involved, however, only to the extent that their primary mission--such as transportation--has energy conservation implications. Of the four agencies included in our review, FEA and ERDA have major energy conservation responsibilities.

FEA has emerged as the agency responsible for developing and overseeing the implementation of equitable voluntary and mandatory energy conservation programs. ERDA is legisla-

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1/ERC, in the Executive Office of the President, has been responsible for securing communication and coordination among Federal energy agencies, and making recommendations on the improvement of energy policy implementation and resource management.

tively mandated to foster and conduct research, development, and demonstration in energy conservation. ERDA's research, development, and demonstration conservation programs are directed toward the development, design, construction and operation of more energy efficient technologies.

The Government can have substantial impact on increasing energy conservation efforts through the influence it can bring to bear on energy use in all sectors of the economy. While there is nearly universal recognition that certain key areas offer the greatest potential for energy conservation, the Nation has done little to take advantage of them. These areas include

--insulation and other measures that conserve energy in all buildings,

--less wasteful uses of energy by industry, and

--improved management of electrical demand.

Although the United States has initiated many new conservation programs since the 1973 Arab oil embargo, most are voluntary, and the Nation's dependence on foreign energy continues to grow. One major exception to this trend was the establishment of mandatory automobile mileage standards under the Energy Policy and Conservation Act (P.L. 94-163). More effective conservation efforts are essential if the United States expects to reverse this trend. Compared to other members of the International Energy Program, the United States experienced a below average reduction in energy consumption during 1974 and 1975.

While the concept of energy conservation is consistent with the national goals of reduction of dependence on imports and reduction of growth in energy demand, conservation is not receiving the emphasis it deserves. There are a number of issues which affect conservation as well as serious gaps in Federal efforts for maximizing energy conservation efforts.

Issues and gaps

For the most part, there is not sufficient public concern with the need to conserve energy because in the public view there has been, until this winter, an adequate energy supply. Thus, while there is little disagreement on the potential of energy conservation, programs have been developed to encourage Americans to voluntarily achieve it, but major questions exist as to their long-term effectiveness and the

Nation's commitment to such voluntary efforts in the absence of a "crisis" atmosphere.

In the short term, energy conservation holds the promise of moving the country further down the road toward energy independence per dollar spent than do most energy supply-increasing options. For example, some financial advantages of conservation are that (1) it often costs less to save a barrel of oil than to produce one through the development of new technology, (2) capital requirements to increase energy-use efficiency are generally lower than capital needs to produce an equivalent amount of new energy supply, and (3) conservation actions persist over a period of time and the benefits are continuing.

Programs adopted in the Energy Policy and Conservation Act and the Energy Conservation and Production Act (P.L. 94-385) are aimed at a limited number of fairly significant energy users, such as automobiles, buildings, and home appliances. Additional measures focusing on other energy uses can yield substantial savings beyond those anticipated for the programs now in effect. For example, research and development efforts can enhance the short-term benefits of energy conservation through improved efficiency. However, the greatest potential for research and development is in the mid- and long-term through new techniques and processes as well as continued improved efficiency. The potential energy savings, which are substantial, were discussed in our report to the Congress evaluating proposed Federal assistance for commercializing emerging energy technologies. 1/

The Nation cannot rely on volunteerism alone for conserving energy. While educational programs serve to increase voluntary conservation efforts, the provision of incentives (such as tax credits) or disincentives (such as excise taxes or various pricing policies) must be brought into play to influence energy use. However, a serious gap which exists in energy conservation is the general lack of incentives and/or disincentives to encourage adoption of energy conservation measures. Proposals for using tax or pricing mechanisms for increasing energy conservation have not been adopted.

1/An Evaluation of Proposed Federal Assistance for Financing Commercialization of Emerging Energy Technologies. EMD-76-10, Aug. 24, 1976.

However, some more direct financial incentives for encouraging energy conservation have been provided for in the Energy Conservation and Production Act. For example, Federal financial assistance is available to encourage low-income persons to install insulation in their residences. However, the Ford administration's fiscal year 1978 budget request did not contain requests for funding consistent with the emphasis that we believe needs to be placed on conservation efforts. A revised request recently submitted by the new administration is shifting the funding emphasis to energy conservation as discussed on page 10.

To the extent that voluntary efforts and incentives and/or disincentives fail to produce the desired results, mandatory programs can be called upon. One of the ways the public can be convinced of the need to conserve energy is through decisive Government action.

Another gap occurs with respect to the degree of emphasis placed on conservation through funding. We believe that energy conservation has the greatest potential payoff in terms of its results and is most attractive on an incremental cost basis. It offers the greatest short-term dollar-for-dollar benefit in balancing energy supply and demand and is the only major viable short-term relief from rising demand and related heavy dependence on imported oil. Despite this potential, energy conservation programs have not been receiving the funding they should. The majority of energy funds requested for the fiscal year 1977 energy budget will be used to increase supplies of energy. Estimated budget outlays for energy supply-increasing actions amounted to over $3 billion whereas, energy conservation funding amounted to about $212 million, as shown below:

Supply Increasing Programs	(billion)
ERDA--Nuclear Research and Development	$1.265
Coal Loan Guarantee Program to Develop Underground Mines	.750
Interior-Resource Development Programs	.076
ERDA--Nonnuclear Research and Development	.619
Naval Petroleum Reserve Exploration, Development, and Production	.204
Interior--On and Offshore Leasing	.185
FEA--Resource Development Programs	.102
Total	$3.201

Energy Conservation Programs	(million)
FEA--Primarily programs established by the Energy Conservation and Production Act	$ 66
ERDA--Research and Development	91
Grants to States to provide weatherization assistance to low-income homeowners	55
Total	$212

As shown above, fiscal year 1977 funding requests for conservation represent only about 6 percent of total funds requested for both programs to increase supply and conserve energy. More specifically, while ERDA's National Plan for Energy Research, Development & Demonstration: Creating Energy Choices for the Future (ERDA-76-1) emphasizes conservation through improved efficiency, ERDA's estimated fiscal year 1977 budget outlay for conservation was only $91 million--about 5 percent of the agency's overall energy research and development funding of about $2 billion.

It should be pointed out that the proposed revisions to the fiscal year 1978 energy budget, as submitted to the Congress in February 1977 by the Carter administration strike a better balance between supply and conservation programs. These revisions call for increased emphasis on energy conservation and decreased emphasis on certain types of long-term energy research and development. Proposed funding for energy conservation programs recently enacted by the Congress, includes (1) loan guarantees to encourage energy conservation measures, (2) accelerated implementation of weatherization assistance to provide insulation for low-income persons, (3) grants to States to inform homeowners about ways to save energy, (4) grants to States to establish offices to represent consumers before utility regulatory commissions, and (5) development of energy cost and efficiency labeling for major appliances.

In addition to the above, another major issue is the relationship between the regulated price of energy and energy conservation. The Government's current price regulatory policies tend to work against energy conservation by holding prices lower than they would be otherwise. As a result, price does not influence energy-use decisions as much as it could. This is discussed in more detail in the section on price regulatory activities beginning on page 17 of this report.

Remedies

While the potential of energy conservation is recognized, the lack of commitment--in terms of voluntary effort, provision of incentives or disincentives, and level of funding, as well as the need to align price regulatory policies with conservation goals--represents a serious gap in the effort needed to maximize this potential. There are a number of steps the Government can take to strengthen energy conservation efforts. Among these are:

--Establishing quantified energy conservation goals for the short-, mid-, and long-term, and an implementation plan to achieve them.

--Placing the highest priority on energy conservation actions and requiring improved information on major energy conservation opportunities to provide the basis for the development and funding of specific programs which can be tailored to take maximum advantage of the opportunities.

--Improving the communication of the benefits of voluntary energy conservation to the public. As the Nation moves into an era of higher-priced energy, consumers of energy must understand why prices are higher and how energy conservation efforts can help counter the increased cost. However, for the most part, these efforts need to be supported by market incentives and disincentives designed to increase conservation efforts. To the extent that these efforts fail to produce the desired results, more direct--essentially mandatory--programs should be legislated.

--Maintaining close oversight of the several new programs authorized by the Energy Policy and Conservation Act and the Energy Conservation and Production Act to encourage energy conservation and evaluating the effectiveness of incentives offered.

--Changing energy pricing policies to make pricing more consistent with energy conservation programs, so that price will be given greater attention in energy consumption decisions.

--Achieve a better balance betwe funding for supply-increasing programs and energy conservation programs. A more even programming of

funds between and among programs, especially between energy conservation options and energy supply options would be more consistent with the potential of energy conservation and the role it should play in the Nation's overall energy strategy. We note the new administration's recent revised budget request for fiscal year 1978 shifts emphasis somewhat from energy supply-increasing programs to energy conservation programs. This, in our view, is a move in the right direction. Whether such actions are sufficient to achieve the task will be monitored closely by us.

To the extent that the executive branch either will not use the authority it has or needs additional authority to take such actions, the Congress should expand its legislative direction to require use of existing authority or provide additional authority.

NONRENEWABLE ENERGY RESOURCE DEVELOPMENT

Most Federal energy resource development efforts deal with conventional nonrenewable energy sources--coal, oil, and natural gas. The four agencies covered by our review are all involved in the development of these energy sources.

Interior administers coal leasing and onshore and offshore oil and gas leasing programs. FPC has responsibility for increasing natural gas production, as well as regulating its price. ERDA's research, development, and demonstration activities are expected to provide improved and new technologies to assist in increasing production of these sources. While FEA's role is not as direct in nonrenewable energy resource development, it nevertheless plays an important role. It acts as a catalyst to bring together Federal, State, local, and private sector participants to solve problems which may retard the development of energy facilities projects--the completion of which will contribute to domestic energy supply expansion.

A consensus of major policy studies is that nonrenewable energy resources will be relied upon heavily in the short term to meet domestic supply needs while new technologies (both renewable and nonrenewable) will have to be developed to meet mid- and long-term needs (e.g., through 2010). Orderly development of energy resources supports the energy goals of (1) reducing imports, (2) providing adequate

energy supplies, and (3) increasing domestic energy production.

Federal energy resource development efforts are not sufficiently coordinated or consolidated. As a result, resource development may not be proceeding as quickly as it could nor making the contribution it will be called upon to make in meeting the Nation's energy demands.

Issues and gaps

The basic gap in resource development efforts is the absence of production targets or goals. While there is a general consensus that the United States wants to and must be more energy independent, targets have not been established for where the Nation wants to be in the short-, mid-, or long-term nor how it is going to get there in relation to the required development to meet the projected demand.

While there have been numerous projections of future demand under many scenarios, there has been no agreement on what the Nation's future energy requirements may be nor has there seemed to be any real concern in predicting future requirements, beyond creating a wide range of alternative projections. Federal policymakers have not related the potential impact of energy conservation to future demand reduction nor determined whether current energy development efforts will produce enough, too much, or too little. In short, the Nation lacks effective energy planning. Compounding this lack of effective planning is the existence of several overlapping Federal planning efforts.

FEA produced the original Project Independence report and the more recent National Energy Outlook which emphasize short-term (through 1985) energy issues. ERDA produced the ERDA-48 and the more recent ERDA 76-1 plans for energy research, development, and demonstration which encompass short-, mid-, and long-term (beyond 2000) energy issues. In addition, the Department of the Interior's Bureau of Mines prepares forecasts of future energy consumption and supply through the year 2000.

What is needed is a coordinated and consolidated planning effort which would relate supply-increasing actions of individual programs to national goals and projections of demand. This can be accomplished by establishing targets and determining supply mixes, i.e., the proportionate share each energy source will be able to contribute to meeting energy demand.

Without adequate production targets and goals, individual energy supply programs can either receive insufficient attention or obtain an unnecessarily high priority. An example of where the lack of production targets can hinder a program is the absence of an aggressive effort to accelerate enhanced recovery of oil and gas. A total of about 425 billion barrels of crude oil have been discovered in the United States. However, over two-thirds of these resources (290 billion barrels) are not economically recoverable at current prices with the conventional technologies now used. Likewise, more than a quadrillion cubic feet of natural gas may exist in the Rocky Mountain and Appalachia areas. This gas is not commercially producible with current extraction technology.

ERDA is carrying out a program to stimulate industry commercialization of advanced oil and gas recovery technologies. This program is a risk-sharing cooperative demonstration program. The program, however, has not been adequately planned and it is moving along at a slow pace. Although ERDA is attempting to improve the program, it is unlikely to have a major effect on increasing domestic oil and gas supplies before the late 1980s or early 1990s. This program is discussed in more detail in our recent report on improvements needed in the Federal enhanced oil and gas recovery research, development, and demonstration program. 1/

Another example of the effect of the lack of production targets is the recent effort to lease acreage for oil and gas development on the Outer Continental Shelf. In 1974, Interior set a goal of leasing 10 million acres a year on the Outer Continental Shelf. Decisions on what Outer Continental Shelf areas to lease had not been based on the collection and analysis of sufficient geological data to identify areas with the greatest potential. Leasing decisions must be based on the collection and careful analysis of sufficient geological data to identify favorable areas for oil and gas accumulation. In addition, Interior's decision to lease 10 million acres was reached before FEA began its initial Project Independence study, and production estimates were not tied to Interior's stated goal of leasing 10 million acres or to any other

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1/Improvements Needed in the Federal Enhanced Oil and Gas Recovery Research, Development, and Demonstration Program. EMD-77-3, Jan. 28, 1977.

goal. Our reports to the Congress in March and June 1975, deal with this matter. 1/

Similarly, coal development has not been based on an overall plan, nor have Federal coal leasing actions been related to goals. Because of its large holdings of coal, the Government is in a key position to shape future patterns of coal development. However, Interior has not established goals of how much land with coal resources to lease (and when to lease it) to meet national production goals. In the past, Interior has relied on leasing demands by industry to indicate the need for new leasing. Under this process, the acreage offered for leasing would be determined by bidding results in competitive lease sales. However, there have been no lease sales in recent years. Nonetheless, continued reliance on this system would place Interior in the position of reacting rather than providing leadership needed to develop sound national energy goals. This and other issues are discussed in our report on coal leasing and its role in meeting national energy goals. 2/

The Federal Coal Leasing Amendments Act of 1975 (P.L. 94-377) directs Interior to conduct a comprehensive exploratory program to obtain resource information on which to base leasing decisions. Such information, coupled with a leasing plan based on national production goals would strengthen Interior's coal leasing program and make it more responsive to national energy needs.

An issue related to the establishment of targets and supply mixes is the ability to meet established targets. In the existing individual program planning efforts, a major gap is the lack of attention to external factors, such as social, economic, environmental, and institutional constraints which can greatly hinder the role that new

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1/Outlook for Federal Goals to Accelerate Leasing of Oil and Gas Resources on the Outer Continental Shelf, RED-75-343, Mar. 19, 1975; Outer Continental Shelf Oil and Gas Development--Improvements Needed in Determining Where to Lease and at What Dollar Value. RED-75-359, June 30, 1975.

2/Role of Federal Coal Resources in Meeting National Energy Goals Needs to Be Determined and the Leasing Process Improved. RED-76-79, Apr. 1, 1976.

supply sources can play in meeting the demand for energy. For example, the effect of these constraints on nuclear development is discussed in our report on the feasibility of commercializing the liquid metal fast breeder reactor. 1/

Some other problems are:

--The availability of capital to finance the expansion of energy production.

--The capability to produce the materials and equipment necessary to the production of energy.

--The availability of necessary staffpower--both skilled labor and technicians--to expand the energy production industry when needed.

Another significant gap is the commercialization of new technologies. The problems involved here seem to be (1) determining when a technology is ready to commercialize, (2) who will "market" the concept, and (3) now it is to be financed. FEA and ERDA have not fully coordinated and defined their respective roles regarding the commercialization of energy technologies. Because of this and the need for FEA and ERDA to closely coordinate their roles in the future, the agencies, in April 1976, entered into a Memorandum of Understanding to formalize their respective working relationship. Although a step in the right direction, the Memorandum of Understanding leaves open the question of commercialization responsibility. Timely availability of newly developed technologies cannot proceed smoothly without a clear understanding of how the key agencies responsible for energy are to proceed and interact with the private sector to actually achieve viable commercial adaptation of new technologies into the economy. For example, our report to the Congress on commercializing the liquid metal fast breeder reactor, 1/ discussed what is needed for the commercial development of the liquid metal fast breeder reactor.

1/Considerations for Commercializing the Liquid Metal Fast Breeder Reactor. EMD-77-5, Nov. 29, 1976.

Remedies

Several actions can be taken by the Government which will contribute to orderly resource development.

--Develop an effective long-range planning system to deal with the questions of future demand and supply mix by focusing on (1) where the Nation is now, (2) where it should be or wants to be in the future (establish goals), and (3) a step-by-step plan for getting there. Such a plan would relate actions to needs and match the Nation's supply-producing actions to the projected demand.

--More closely relate individual Federal resource development actions, such as Outer Continental Shelf leasing and tertiary oil development to production goals and national energy goals.

--Incorporate into the energy planning process full consideration of the potential effect of the many social, economic, environmental, and institutional issues and an assessment of their affects on planned resource development. This should involve building into the planning process an order of priorities which recognize the interrelationship of resource development and other social goals.

--Because ERDA and FEA have the potential to overlap each other, they must fully coordinate their activities to assure that there is no gap between the development of technologies and their availability for commercialization. A positive step toward bridging the gap between energy technology research, development and demonstration, and commercialization is the consolidation of Federal energy activities.

At the present time, the executive branch has adequate legislative authority to accomplish most of these remedies. Reorganization of the executive branch's energy programs, however, would allow it to better accomplish them.

ENERGY PRICE REGULATION

The Nation's energy price regulatory system was spawned from a variety of needs.

Interstate regulation of natural gas has historically based regulatory actions on the cost of gas production plus a reasonable rate of return to the producer.

Oil price regulation occurred, following the quadrupling of oil prices by the Organization of Petroleum Exporting Countries (OPEC). Oil prices have been regulated using a two-tier system where so-called "old oil" is held at a lower price than (1) new oil discovered after an established base period and (2) imported oil. Stable regulation of oil has been difficult during a period where world oil prices are being established by a cartel external to the United States and the domestic production of oil and natural gas continues to decline.

Two of the four agencies included in our review--FPC and FEA--are involved in the regulation of prices of some forms of energy. FPC regulates prices of interstate natural gas and electric power; FEA regulates the prices of crude oil and petroleum products. FPC is responsible primarily for regulating certain aspects of the natural gas industry to insure an adequate supply of natural gas at reasonable prices to meet the Nation's energy needs. FPC also regulates some activities of the electric power industry. FEA administers price regulations which involve all elements of the petroleum industry from production of crude oil to the retail sale of some petroleum products.

Although price regulatory policies are established by statute, FEA and FPC have broad flexibility in carrying out these policies. The effect of these policies on energy development is significant. Price regulation can be used to influence short-term supply availability, such as the emergency sales of natural gas recently approved in light of the shortage of natural gas due to the severe winter of 1976-77.

Issues and gaps

Regulatory policies can either (1) hold prices lower than they would be without regulation or (2) increase prices higher than they otherwise would be. It is clear that the price regulatory system is presently holding prices lower than they would be otherwise.

Although regulation of natural gas, electric power, and petroleum prices which hold prices below the OPEC cartel-set price contributes to price stability, it can be viewed as incompatible with certain conservation and resource development goals. Price regulation tends to work against efforts

to encourage conservation by holding prices lower than they would be otherwise. As a result, price is not as great a factor as it might be in energy-use decisions.

In general, price regulatory policies can have a negative effect on resource development. The energy production industry maintains that current pricing policies, which hold the price of energy at relatively low levels, tend to leave insufficient capital for future resource development. New development may be suppressed due to the uncertainty price regulation creates with respect to whether the investment required to bring in new sources can be recovered through the selling prices allowed.

With respect to natural gas, deregulation would not likely bring on much more supply, but it could slow or possibly arrest the rate of decline by yielding more gas in the short term than if current regulatory policies are pursued. 1/ In any event, the price of natural gas will continue to rise under either regulation or deregulation. However, with deregulation, price rises would be more rapid, except in the event that regulated prices were deliberately raised to intrastate pricing levels and held there.

Tax policies can be used to achieve the same effects on energy resource development and conservation as price regulatory policies. Tax policies, particularly taxes on energy, have been used in many countries to stimulate energy conservation. In some instances, however, tax policies can work against energy goals. For example, while taxes on gasoline could be used to discourage its use, Federal tax laws still allow a deduction of State gasoline taxes for income tax purposes. A number of tax provisions that would have stimulated energy conservation efforts were introduced in the last session of the Congress but were not enacted. These provisions would have provided (1) tax credits for energy-conserving actions, such as installing insulation or energy-efficient equipment, (2) incentives for development of new technologies, and (3) incentives to stimulate the development of new industries, such as oil shale or coal liquefaction.

1/The issues concerning deregulation of natural gas are discussed in our report to the House Committee on Government Operations, Implications of Deregulating the Price of Natural Gas. OSP-76-11, Jan. 14, 1976.

Remedies

A significant issue that requires careful attention is the role that price regulation should play with respect to overall national goals because of its current and potential effect on the Nation's (1) dependence on energy imports, (2) growth in energy demand, (3) energy supplies, and (4) energy production. Essentially, two options are available. We can move to create a stable regulatory environment which clearly signals the Government's regulatory intentions to industry, perhaps coupled with incentives for resource development. The alternative is deregulation.

With continued regulation, there are steps the Government can take to provide a more stable environment and lessen the impact that price regulation has on energy resource development and energy conservation. These include:

--Changing the current price regulatory policies with respect to conventional petroleum and natural gas production. There is a general consensus that higher prices for these products would result in at least some increase of supplies above what would otherwise be available and also increase industry's ability to recover capital investment costs through future selling prices. There is concern whether economic and social impacts of deregulation outweigh the benefits of increased supply, and these factors must be carefully considered in the decisionmaking process.

--Using tax and regulatory policies to stimulate development of (1) difficult to recover resources, such as oil and gas, requiring the use of advanced tertiary recovery techniques and (2) resources requiring new technology, such as coal gasification and liquefaction and oil shale.

--Developing a better recognition of the relationship between the regulated price of energy and energy conservation, including an assessment of additional price incentives or disincentives to encourage conservation actions. Increased costs would make the price of energy a more important factor in energy-use decisions, particularly in the industrial sector of the economy.

These are issues requiring the closest cooperation between the executive and legislative branches, most of which will need new legislative authority to change existing practices.

CONCLUSIONS

We believe that the identified issues and gaps demonstrate the need for a better Federal organizational framework to deal with the Nation's energy problems. We have suggested a number of remedies that can be taken by the Government which would address the issues and begin to fill the gaps.

While it would appear that most of the remedies can be accomplished with existing executive branch authority, some could require additional legislation. As the new administration makes its energy proposals, the Congress should examine them closely in determining the need for additional authority.

CHAPTER 3

FEDERAL ENERGY REORGANIZATION

Many of the problems in formulating a coherent national energy policy are the result of the diffusion of responsibility for major energy programs among several Federal agencies--primarily FEA, ERDA, the Department of the Interior, and FPC. FEA is responsible for energy policy formulation and energy regulation (oil); ERDA for research, development, and demonstration of energy technologies; Interior for decisions regarding the leasing and development of energy resources on Federal lands; and FPC for energy regulation (natural gas). In addition, there are two national energy planning systems--one produced by FEA and one by ERDA.

FEA's planning system produced the original Project Independence report and the more recent National Energy Outlook. ERDA produced the ERDA-48 and the more recent ERDA 76-1 plans for energy research, development, and demonstration. Also, the Bureau of Mines in the Department of the Interior prepares forecasts of future energy consumption and supply. Moreover, the collection and analysis of energy data is done by numerous agencies. This situation should improve, however, with the establishment under the Energy Conservation and Production Act of a separate Office of Energy Information and Analysis within FEA. Among other things, this new office has the responsibility and authority to review all Federal energy information gathering activities with a view toward avoiding duplication of effort and minimizing reporting burden.

This issue of Federal energy reorganization has been of interest to us for some time. We initially proposed a Department of Energy and Natural Resources (DENR) as the best long-term organizational approach to solving complex energy and natural resource problems, in February 1974, in a report and testimony on Federal energy data efforts. 1/ Since that time, we have consistently supported the creation of such a department.

1/Actions Needed to Improve Federal Efforts in Collecting, Analyzing, and Reporting Energy Data. B-178205, Feb. 6, 1974.

In 1974 we proposed that a DENR consist initially of three key agencies--FEA, ERDA, and the Department of the Interior. Over a period of time, other agencies having energy and natural resource roles could be phased in on the basis of recommendation by the President and approval by the Congress that the additional organizational changes are needed to further consolidate energy and natural resource activities. This approach provides for early consolidation of key energy agencies and allows time for longer term consideration of those natural resource-oriented agencies whose inclusion has historically been controversial, such as the Forest Service in the Department of Agriculture and the Corps of Engineers in the Department of the Army.

In April 1976, we testified before the Senate Committee on Government Operations on the extension of the Federal Energy Administration. That testimony restated our long-standing support for a DENR and, pending the creation of such a Department, suggested certain interim changes which would combine key energy functions and move toward such a department, in particular, the establishment of a National Energy Administration. We continue to believe, as expressed in our earlier 1974 and 1976 testimony, that there is a need for improved organization to help solve long-term energy and natural resource problems.

In our April testimony, we pointed out that FEA currently has responsibilities for both energy policy development and energy regulation. A desirable division of FEA's responsibilities would be to separate its policy, planning, and program development activities from its regulatory activities, combining the two functions with related functions of other energy agencies. The problems inherent in having a single agency responsibility for policy and regulatory programs were recognized by the Congress in the old Atomic Energy Commission which was reorganized into ERDA and the Nuclear Regulatory Commission. The drawbacks of such a combination have again been demonstrated by FEA. For example, in the fall of 1975, during debate over the extension of oil price controls, FEA was the chief administration spokesman in favor of phasing out such controls while at the same time having responsibility for administering the oil price control program--a situation not conducive to the most vigorous enforcement policy.

We suggested that FEA's permanent energy policy responsibilities ought to be combined with ERDA's energy research and development policy responsibilities into a new National Energy Administration. The most critical need in solving the Nation's

energy problems is to have a unified and concentrated effort for developing national energy policies, plans, and programs. This new agency, in our view, could be a logical first step toward the longer term creation of a DENR. In addition, at that time--April 1976--a new Federal organization was proposed--the Energy Independence Authority (EIA)--designed to help finance and encourage the commercialization of a variety of more advanced energy technologies, such as synthetic fuels. The proposed EIA was never established. However, we argued that the concept embodied in the EIA--energy financing--if enacted into law, should also be included in the National Energy Administration.

The National Energy Administration, with the consolidation of functions just discussed, would exercise control and coordination of three basic energy policy components: (1) policy formulation, presently in FEA, (2) allocation of research, development, and demonstration funds, currently in ERDA, and (3) allocation of commercial financing moneys or guarantees, as was proposed for the EIA.

Such a consolidation could have a significant benefit for energy conservation--an area, in our view, where there have been problems of priorities and lack of coordination. FEA has not given conservation the emphasis it deserves, and ERDA, until recently, has not emphasized it in terms of priorities for research, development, and demonstration activities. Moreover, although ERDA has begun to recognize the priority conservation deserves, it has not allocated funds in accordance with this priority.

On the regulatory side, and in conjunction with the proposal to combine FEA's and ERDA's policy responsibilities into a new agency, we testified in April 1976 in favor of a consolidation of Federal energy regulatory responsibilities. There are several ways to accomplish this. Perhaps the simplest would be to initially transfer FEA's residual regulatory responsibilities to the FPC, creating a new energy regulatory agency. Initially or later, other regulatory responsibilities important to energy development, such as those of the Nuclear Regulatory Commission, could be considered for inclusion in the new agency, perhaps entitled the Energy Regulatory Agency.

Under our proposals, there would still be a need for a high-level coordinating body, such as the existing Energy Resources Council. This body would act as a mechanism for energy coordination but moreover, and perhaps just as impor-

tant, it would serve to interface and coordinate energy with other national goals and issues. This body should have a statutory base, staff resources, consist of members from departments and agencies having responsibility for programs that interface with energy, and be chaired by the head of a new energy department.

The necessity for the coordination of energy goals with other national goals is illustrated by Federal efforts to improve the fuel economy of automobiles. Although substantial improvement in new automobile fuel economy has occurred over the last 3 model years, continued improvements depend largely on how well Federal emission and safety standards can be balanced with fuel economy standards. In a January 1977 report to the Chairman of the Energy Resources Council, 1/ we pointed out that the present Federal approach to regulation of automobile design represents a piecemeal and conflicting decisionmaking process where Federal emission, safety, and fuel economy standards are not assessed together.

In addition to our proposals, there have been a variety of other proposals over the years supporting the concept of reorganizing Federal energy activities. The major features of some of these proposals are discussed below, along with some pros and cons associated with them. While the basic concepts of each of these proposals differ greatly, some of their features are similar, and in some cases, different means are suggested to achieve the same end.

For instance, we believe that conservation programs should be centrally managed in order to strengthen them and place on them the emphasis they require. A proposal by Senator Percy, on the other hand, has suggested a different approach for the express purpose of strengthening conservation programs. He would locate them in the Federal agencies responsible for the end-use sectors. For example, transportation conservation would be placed in the Department of Transportation and residential conservation in the Department of Housing and Urban Development.

DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT

A Department of Natural Resources and Environment was proposed January 15, 1975, as S. 27 in the 94th Congress.

1/Letter report to the Honorable Elliot Richardson, Chairman, Energy Resources Council, EMD-77-13, Jan. 13, 1977.

Its purpose was to reorganize and consolidate Federal responsibilities in the energy, natural resource, and environment areas. The proposed Department would have included the functions and activities of the following agencies.

--The Department of the Interior, except its Bureau of Indian Affairs and Office of Territories, which would be transferred to the Department of Health, Education, and Welfare.

--The National Oceanic and Atmospheric Administration, presently in the Department of Commerce.

--Certain activities of the Corps of Engineers, Civil Works, presently in the Department of the Army.

--The Forest Service, Soil Conservation Service, and certain parts of the Economic Research Service and Agricultural Research Service of the Department of Agriculture.

--Pipeline safety functions of the Department of Transportation.

--The Water Resources Council.

--The Energy Research and Development Administration.

--The Nuclear Regulatory Commission.

--The Federal Energy Administration.

--Most of the functions of the Environmental Protection Agency.

Pros and cons

The most objectionable feature embodied in this reorganization concept is the proposal to combine many major program areas--energy, natural resources, the environment, and the health and safety questions relating to nuclear programs. Because this proposal combines so many different areas, it would be a difficult concept to get enacted into legislation. Also, the inclusion of the Corps of Engineers, the Forest Service, and the Soil Conservation Service--agencies which in the past evoked considerable controversy when proposed for consideration--has prolonged the debate over creation of this department.

In addition, it combines energy policy formulation and development (Interior, ERDA, and FEA) with energy regulation (FEA, Nuclear Regulatory Commission, and Pipeline Safety)--a feature which in the past we have not found desirable. (See p. 23.) Finally, the combining of the functions of the Environmental Protection Agency (EPA) into a larger department having other major program responsibilities is not, in our view, desirable.

There were compelling reasons for establishing EPA as a separate independent agency and against placing it under the jurisdiction of another department or agency. These reasons which were explained by the President in his July 9, 1970, message to the Congress are as compelling now as they were then. They are:

--Almost every part of Government is concerned with the environment in some way, yet each agency has also its own primary mission which necessarily affects its own view of environmental questions.

--If the critical standard-setting functions were centralized within any one existing department, it would have to make decisions affecting other departments in which its own objectivity as an impartial arbiter could be called into question.

--Because environmental protection cuts across so many jurisdictions, and arresting environmental deterioration is of great importance to the quality of life in this country, a strong independent agency is needed.

On the positive side, this concept would have brought together under one department the three key energy agencies--FEA, ERDA, and Interior. It would have also facilitated coordinated planning and execution of a consistent national policy in the important water and land resources areas.

DEPARTMENT OF NATURAL RESOURCES

S. 2726, as introduced in the 94th Congress on December 1, 1975, would have, among other things, created a Department of Natural Resources by consolidating the following departments and agencies.

--The Department of the Interior.

--The Federal Energy Administration.

--The Energy Research and Development Administration.

--The National Oceanic and Atmospheric Administration.

--Corps of Engineers, Civil Works, Department of the Army and related regulatory functions.

--Forest Service and Soil Conservation Service, Department of Agriculture.

--Pipeline safety functions of the Department of Transportation.

--Water Resources Council.

Pros and cons

Legislation to establish the Department of Natural Resources, like the previously discussed Department of Natural Resources and Environment, suffered from attempting to combine many Federal agencies.

The creation of the Department of Natural Resources would be prolonged due to inclusion of the Forest Service and the Corps of Engineers--agencies which have been the subject of considerable controversy in the past when proposed for consolidation. On the regulatory side, as with the Department of Natural Resources and Environment, this proposal combines regulatory and nonregulatory energy functions--FEA and pipeline safety, a feature which in the past we have not found desirable for the reasons stated on page 23. On the positive side, this proposal, as with the previous proposal, would facilitate coordinated planning and execution of a consistent national policy in the water and land resources areas and brings together under one department the three key energy agencies--FEA, ERDA, and Interior.

PROPOSED OMNIBUS ENERGY AND NATURAL RESOURCES REORGANIZATION ACT OF 1977

On February 2, 1977, Senator Percy introduced S. 591, a bill to reorganize Federal energy agencies--The Omnibus Energy and Natural Resources Reorganization Act of 1977. Under the proposal

--an executive branch council would be created to develop national energy policy;

--energy conservation responsibility would be transferred to existing agencies;

--energy supply functions would be consolidated into a new cabinet-level department;

--energy data collection functions relating to supply would be transferred to the newly created supply agency, energy demand data would be collected by agencies already collecting it; and

--pending development of a national energy policy, GAO would, within 2 years recommend to the Congress reorganization of energy regulatory activities.

Pros and cons

Energy policy

An Energy Policy Council (EPC) would be created in the Executive Office of the President to provide the President with objective energy policy recommendations and would be able to relate energy goals to other high-priority national goals. The energy policy responsibilities of FEA, ERDA, Interior, and the Energy Resources Council would be transferred to the EPC which would have three members--with the Chairman having cabinet rank--and a small staff. Also, EPC would be required to furnish an annual energy report to the President (comparable to the Council of Economic Advisors report to the President).

As pointed out on page 24, we favor an energy policy coordinating body, such as the EPC. EPC, however, under this proposal would appear to assume a very large policy role, since FEA's, ERDA's, and Interior's energy policy functions would be transferred to it. We believe that it would be more desirable for the energy policy functions to remain with these agencies and be consolidated into a Department of Energy and Natural Resources. On the other hand, the EPC would be responsible for coordinating energy issues and goals with other national issues and goals, a function which is extremely important and needed. Under this proposal, the Chairman of EPC would have cabinet rank. Under the concept we have discussed, the head of the new cabinet-level energy department would serve as chairman. Other members would be the heads of departments and agencies having responsibilities for other programs that interface with energy.

Energy conservation

The Percy proposal would transfer the energy conservation programs currently in FEA and ERDA for each end-use sector--

transportation, residential, commercial, and industrial--to the existing Federal department most closely associated with that sector, where they would be consolidated with ongoing conservation programs. The purpose of this would be to focus attention on conservation on a sector-by-sector basis. For example, conservation programs impacting on the residential sector would become the responsibility of the Department of Housing and Urban Development, and those impacting on transportation would be merged into the Department of Transportation.

To promote and coordinate Federal energy conservation programs, a new Cabinet Committee on Conservation, chaired by the Chairman of EPC, would be created. It would consist of the Secretaries of State; Defense; Agriculture; Commerce; Transportation; Health, Education, and Welfare; Housing and Urban Development; the Administrator, General Services Administration; and the Secretary of the Department of Energy Supply and Natural Resources (the newly created department under the proposal).

Energy conservation must be a key element of national energy policy. We, however, have continually had problems with the administration's priorities in energy conservation. Quite simply, it has not received the emphasis it deserves. We are concerned, however, that this proposal would tend to deemphasize its importance further by diffusing energy conservation responsibility to several agencies. Moreover, it is desirable to have energy functions in an agency having energy responsibility, rather than transfer them to an agency with no basic energy responsibility. This would insure that the energy functions receive proper priority within a single department and could compete better for funds through the fund approval process (Congress and the Office of Management and Budget) than would occur with conservation activities scattered in agencies with primary responsibilities other than energy. Moreover, under this proposal, a number of separate energy efforts would be competing with a single cohesive energy supply entity.

In summary, the Percy proposal would use the sectoral approach--place energy conservation responsibility with agencies administering programs in end-use sectors with the explicit purpose of focusing attention on energy conservation. We believe consolidation of energy conservation into a single agency is the better approach because it would centralize control and authority, insure that energy conservation receives the proper priority, and be conducive to a balanced approach to energy problems.

The Percy proposal calls for the President to report annually to the Congress on all aspects of major energy policy. The summary accompanying the proposal states that the President's annual energy report is to include the establishment of yearly quantitative energy conservation goals. This is an extremely favorable aspect, and one which we suggested in our April 26, 1976, testimony. Subsequent to that testimony, the Energy Conservation and Production Act required the Energy Resources Council to annually report to the President and the Congress on national energy conservation activities and Federal plans and needs in the conservation area for future years.

Energy supply

The Percy proposal would create a Department of Energy Supply and Natural Resources (DESNR) which would consolidate existing energy supply functions--primarily FEA, ERDA, and Interior. DESNR would be responsible for

--managing public lands;

--encouraging increased energy supplies;

--promoting research, development, and demonstration in new energy supply systems;

--developing programs to improve energy supply system efficiencies; and

--serving as the lead agency for collecting energy supply data.

We do not favor organizing energy supply functions separate from energy demand functions. A consolidation of energy functions into a single department is a more preferable course of action than consolidation along functional lines--as would be accomplished in the supply, conservation, and data areas under this proposal. In addition, we do not believe it desirable to diffuse energy research, development, and demonstration responsibilities.

Energy data

FEA's data collection functions relating to energy supply would be transferred to DESNR. Existing departments and agencies would continue to collect primary data on the use and flow of energy through the economy.

We have, since 1974, been interested in the energy data issue. Most recently, on March 9, 1976, in testimony before

the Senate Committee on Interior and Insular Affairs we restated the belief that the best long-term organizational approach to the solution of energy problems, including energy data problems, would be the establishment of a Department of Energy and Natural Resources. A separate bureau for energy data collection could be insulated within such a department perhaps by enacting explicit statutory provisions insuring independence and objectivity. In the interim, however, we suggested an organizational alternative of building on the capability already existing in FEA by expanding the agency's data role and insuring the independence and objectivity of its data collection activities. The Energy Conservation and production Act established the type of data component within FEA as suggested by our testimony. In our opinion, it would be undesirable to fragment energy data responsibilities as would be done under the proposal.

Energy regulation

Although the press release accompanying the bill indicates that FEA's oil price regulatory responsibilities will be transferred to FPC, the language in the bill itself would transfer these responsibilities to DESNR. It would also require GAO to review regulatory performance and recommend appropriate reorganization of energy regulatory activities to the Congress within 2 years.

In the past, we found it desirable to separate energy policy, planning, and program development activities from energy regulatory activities. (See p. 23.) We now believe that with the proper statutory insulating mechanisms, energy regulatory activities can be consolidated into a new energy department. It is important to establish energy price regulatory policies which are consistent with energy conservation and resource development goals. Under this proposal, however, consolidating regulatory activities in DESNR would likely place the emphasis on resource development, since conservation activities would be diffused among several other agencies on the basis of end-use activities.

CHAPTER 4

THE ADMINISTRATION'S ENERGY REORGANIZATION PROPOSAL

We continue to hold the views expressed over 3 years ago that the best long-term approach to solving energy and related natural resource problems is the establishment of a Department of Energy and Natural Resources. We believe such an approach is as relevant today as it was then. The focus now, however, is on a Department of Energy as recently proposed by the administration.

Nothing in the legislation proposed by the administration is inconsistent with the movement toward the establishment of a Department of Energy and Natural Resources. We believe, therefore, that it is clearly a step in the right direction.

On September 21, 1976, prior to his election, President Carter announced a proposal for Federal energy reorganization. Since that time, other proposals have been under consideration by the administration and on March 1, 1977, a revised plan was introduced as S. 826--the Department of Energy Organization Act. We will discuss the March proposal only.

The administration's proposal would transfer to the Department of Energy the authority for Outer Continental Shelf and onshore leasing for energy resource development currently in the Department of the Interior. This authority relates to fostering of competition, implementing alternative bidding systems, establishing diligence requirements, setting rates of production, and specifying procedures, terms, and conditions for acquisition and disposition of royalty oil. Interior would retain responsibility for implementing leasing programs consistent with the Department of Energy's policy guidance.

Second, the March proposal would include in the new Department only economic regulatory functions, such as price regulation now in FPC and FEA and certain other functions now performed by the Interstate Commerce Commission and the Securities and Exchange Commission. The Nuclear Regulatory Commission would not be included even though its so-called "health and safety" decisions have serious economic consequences and in many ways are key to the extent and pace of nuclear energy development.

Other points relate to giving the new Department responsibility for (1) development of energy conservation performance standards for new buildings, currently the responsibility of the Department of Housing and Urban Development, (2) certain data and research and development functions of the Department of the Interior's Bureau of Mines, and (3) power marketing responsibilities now in the Department of the Interior.

According to the plan the following agencies and functions would be combined into the proposed cabinet-level Department of Energy.

--FEA

--ERDA

--FPC

--Certain programs and functions from the Department of the Interior including

The four regional power marketing Administrations (Bonneville, Alaska, Southwest and Southeast) and the power marketing functions of the Bureau of Reclamation.

Certain programs of the Bureau of Mines--i.e., the fuel data program (which collects and analyzes data principally on fossil fuels) and research and development programs relating to improvements in coal mining extraction technology, coal preparation and analysis, and technology development for equipment for surface mining.

Certain responsibilities relating to leasing of energy minerals onshore and offshore.

--The existing statutory authorities for the new building energy conservation performance standards program, now vested in the Secretary of the Department of Housing and Urban Development.

--Existing Department of Commerce programs to promote voluntary industrial energy conservation.

--The jurisdiction over and administration of the three Naval petroleum reserves in California and Wyoming, and three Naval oil shale reserves in Colorado and Utah, currently in the Defense Department.

--The authorities vested in the Securities and Exchange Commission through the Public Utility Holding Company Act of 1935 to regulate activities in the electric utility industry.

--The authorities currently vested in the Interstate Commerce Commission as related to transportation of oil and coal by pipeline.

In addition, the Department of Energy would have (1) an advisory role in recommending goals in the automobile fuel economy standards program to the Secretary of Transportation who will continue to have primary responsibility for the program and (2) a right of concurrence on approval of Rural Electrification Administration loans to insure their coordination with national energy conservation policy.

The administration's proposal has considerable merit. We generally endorse its enactment. There are, however, several residual issues discussed below which we believe the Congress should address in enacting such legislation.

SOME REMAINING QUESTIONS

Energy data

With respect to energy data, the proposal recognizes the need to insulate energy data collection and analysis functions from energy policy formulation and development. A separate Administration would be created within the Department of Energy with statutory jurisdiction on data collection and analysis.

The proposal would transfer to the Administrator of the Energy Information Administration all functions vested by law in the Director of the Office of Energy Information and Analysis in the Federal Energy Administration. There was considerable concern expressed last year by the Chairmen of the Senate Committee on Government Operations and Senate Committee on Interior and Insular Affairs over the need to statutorily insulate energy data activities from policy influence. This transfer would include those statutory provisions designed to provide that insulation. For example, under existing law, the Director of the Office of Energy Information and Analysis is to be a person of professional background and experience and specially qualified to manage an energy information system.

Additionally, a Professional Audit Review Team (PART) was established by statute to independently monitor and

report on the operations of the Office of Energy Information and Analysis. PART is to consist of at least seven professionally qualified persons from the leading Federal statistical agencies. 1/ The Chairman of PART is to be designated by the Comptroller General of the United States.

Under the proposal, the status of PART seems unclear to us. PART's responsibilities are not vested in the Director of the Office of Energy Information and Analysis. PART is established as an independent body for the purpose of reviewing energy data activities and reporting to the Congress and the President on the results of that review.

We did not support the establishment of PART, preferring instead to perform such a function in the course of our normal auditing and review activities. PART can, however, be an effective mechanism for providing the Congress with information on the performance of Federal energy data activities. PART is now functioning, and the Congress may want to make clear its intent for the continued existence of PART.

Energy conservation

As noted earlier, we believe that it is desirable to have energy functions in an agency having energy responsibility rather than to have them in an agency with no basic energy responsibility. This would insure that energy functions receive proper priority within a single department.

The administration's proposal recognizes the need to foster, encourage, and where appropriate, require energy conservation To this end, the proposal consolidates practically all existing energy conservation programs into the Department of Energy. However, there are two areas which cause us concern.

1/Council of Economic Advisors; Bureau of Labor Statistics; Social and Economic Statistics Administration (Department of Commerce); Securities and Exchange Commission; Federal Power Commission; and Federal Trade Commission, and the General Accounting Office.

The Secretary of the Department of Energy would have only an advisory role in recommending goals for the automobile fuel economy standards program which would continue to be the responsibility of the Department of Transportation. The proposal would also transfer to the Department of Energy the existing statutory authorities for energy conservation performance standards for new buildings now vested in the Secretary of the Department of Housing and Urban Development. According to fact sheets accompanying the proposal, actual implementation of the program would be redelegated to the Department of Housing and Urban Development.

We believe that the Department of Energy should have the responsibility for setting goals for the automobile fuel economy standards programs. The Secretary of Transportation should have an advisory role. This goal setting responsibility is consistent with the proposal's treatment of the building conservation performance standards program and leasing of energy resources on public lands, where the Department of Energy has responsibility for setting goals.

The implementation of both the automobile fuel economy standards program and the energy conservation performance standards program could be carried out by the Departments of Transportation and Housing and Urban Development, respectively. While we favor having energy functions in an agency with energy responsibility, if policy responsibility for these programs were kept within the Department of Energy, we would support the administration's proposal subject to close congressional scrutiny. We will monitor such actions closely to provide the Congress with information to assist it in assessing performance.

Energy regulation

As noted on page 24, we have favored keeping the regulatory functions--both economic and health and safety related--separate from the policy and promotional aspects of energy. Our earlier proposal was to combine certain regulatory functions of FEA, FPC, and the Nuclear Regulatory Commission into a new Energy Regulatory Agency.

The administration's proposal has taken a different tack. It would move all economic regulatory functions into the Department of Energy, but leave the health and safety functions of both the Nuclear Regulatory Commission and Department of the Interior within those agencies. Within the Department, the Administrator of an Energy Regulatory Administration would

supervise overall regulatory policy, but a somewhat insulated Board of Hearings and Appeals would conduct the quasi-judicial work in the economic regulatory area.

Such an arrangement could possibly provide an adequate degree of independence. The key argument for including economic regulatory functions in the new Department of Energy revolves around the importance of establishing energy price regulatory policies which are consistent with energy conservation and resource development goals. Our work on issues, gaps, and remedies in price regulation discussed on pages 18 and 20 confirmed the need for closer correlation between price and other energy policies and for a more stable regulatory environment.

We remain somewhat skeptical as to whether so-called "health and safety" regulation can any longer be construed as truly "noneconomic" in nature. Most, if not all, energy health and safety regulatory decisions affect the cost and timing of various forms of energy. Changes in the cost and timing of energy facilities have significant implications on the options available to policymakers. For example, recent citizen pressures and court rulings requiring the Nuclear Regulatory Commission to give greater consideration to energy conservation and long term concerns of nuclear waste management in its regulatory actions indicate that it will have to reassess its appropriate role in the Nation's energy policy. More than anything else, the regulatory decisions of the Nuclear Regulatory Commission are likely to pace nuclear development in the years ahead.

Some other examples of how health and safety regulatory decisions affect economic decisions include:

--In the nuclear area, the costs of nuclear power plants do not currently include any of the costs of closing the backend of the fuel cycle, such as plutonium reprocessing or nuclear waste disposal, nor do they include the ultimate costs of decontaminating and decommissioning the power plant. All of these areas will require health and safety regulatory decisions which will have significant implications for the economics of nuclear power on a societal and a plant-by-plant basis.

--In the natural gas area, decisions will be required on the safety of liquid natural gas facilities as we move to increased imports of liquefied natural gas.

These include such problems as the need for specialized tankers and receiving terminals.

--Along with other factors, it is generally agreed, that the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C. 801) had some impact on the significant decline in underground mine productivity in the last 6 years. In addition, the law has had some impact on raising the price of coal produced from underground mines. Some estimates run as high as $1.56 per ton in smaller mines and $.75 per ton in the larger mines.

The treatment of regulatory functions--both economic and health and safety related--is one of the most difficult areas to decide in arriving at a viable energy reorganization. The administration's proposal would include economic regulation in the proposed Department of Energy and leave health and safety regulation of energy in its present form. In our opinion, the proposal is unclear, however, as to how policy formulation, planning, and programming for nuclear and certain other fuels production will fit into an overall scheme for developing policies for future energy supply mixes.

We believe the legislation establishing the Department of Energy should more clearly specify its responsibility for energy production formulation, planning, and programming. A clearer understanding of this responsibility is needed to provide an appropriate basis for interface with the agencies having responsibilities for important questions of health and safety.

The handling of health and safety questions for all energy fuels raises other important questions which need to be carefully considered. Not only are there major health and safety issues in the nuclear power area, there are also questions regarding mine safety, pipeline safety, safety of liquefied natural gas facilities, and the health implications of burning fossil fuels. Rather than have regulation focus narrowly on the health and safety implications of individual energy sources, it seems desirable to us to bring all the energy health and safety regulatory functions together so that the trade-offs of developing one form of energy as opposed to another could be considered. For example, we should focus carefully on the health and safety questions of nuclear power, but we should also consider just as carefully the health and safety questions of substantially increasing the burning of fossil fuels and measuring the trade-offs between these and other supply sources.

We believe the Congress should consider creating a separate energy health and safety regulatory agency combining all energy health and safety regulation. In addition to the Nuclear Regulatory Commission, such an agency could include the Mining Enforcement Safety Administration of the Department of the Interior, the pipeline safety functions of the Department of Transportation and certain noneconomic responsibilities regarding the licensing of liquefied natural gas facilities now carried out by the Federal Power Commission. It should also be empowered to analyze trade-off considerations between fuels, particularly, the burning of fossil fuels and nuclear energy.

This new agency could be a regulatory commission completely independent of the new department. Or, it could be included in a Department of Energy with strong statutory provisions to insure its insulation. Further, if a new Energy Health and Safety Regulatory Agency were included as part of a Department of Energy, the Environmental Protection Agency should still retain the responsibility for setting air and water quality standards which affect and influence various forms of energy development.

In summary, we believe it is increasingly difficult to separate economic energy regulation from the health and safety regulation of energy and its related economic consequences. It seems clear to us that the health and safety regulation of energy--particularly nuclear energy--will be more important to the pace of development than economic regulation. The problems which the regulators perceive must be taken into consideration in planning for future energy supply mixes. Conversely, the regulators must have a policy perspective against which they can measure the implications of regulatory decisions.

In deciding the ultimate composition of a new energy department, the Congress must carefully examine the implications of the inclusion of energy regulatory functions within an energy department and the degree to which statutory provisions and congressional oversight can assure the insulation of regulatory decisions from the policy process.

The Congress should choose one of three options listed below.

--Include energy regulatory functions--both economic and health and safety related--in the Department of Energy. Under this approach, economic and health and safety regulation could be separate entities but both would fall under a single Assistant Secretary. Statutory provisions should be included to

assure maximum insulation of regulatory decisions from the policy process. Provisions could also be included regarding GAO monitoring and reporting as appropriate on the relationship of regulatory decisionmaking to the policy process in the Department of Energy.

--Include only economic regulation in the Department of Energy because of the perceived importance of establishing energy price regulatory policies which are consistent with other energy goals and consolidate health and safety regulation of energy in a separate independent Energy Health and Safety Regulatory Agency. Statutory provisions should be included to assure maximum insulation of economic regulation from the policy process. Provisions could also be included regarding GAO monitoring and reporting as appropriate on the relationship of regulatory decisionmaking to the policy process in the Department of Energy.

--Continue to separate energy regulation--both economic and health and safety related--from energy policy formulation. Should this be done, we believe that creation of a single energy regulatory agency is desirable. Such an agency could provide a forum for more carefully considering the trade-offs among problems involved in different forms of energy development.

Energy leasing

The relationship between Federal land management policy and energy policy is one that we have struggled with for many years. We have issued a series of reports, the latest on March 7, 1977, 1/ which clearly indicate that the present system is inadequate. We have recommended a series of actions to the Department of the Interior to strengthen its system of leasing and producing from the public lands. Until very recent statements by the Secretary of the Interior, 2/

1/Outer Continental Shelf Sale #35 -- Problems Selecting and Evaluating Land to Lease. EMD-77-19, Mar. 7, 1977.

2/Statement of Cecil D. Andrus, Secretary of the Interior, before Hearings of Ad Hoc Select Committee on the Outer Continental Shelf, House of Representatives, Mar. 3, 1977.

we have had remarkably little success in influencing any changes in the Department of the Interior's leasing policy.

Accordingly, our initial reaction to any move towards consolidating energy functions favored total removal of all leasing functions from the Department of the Interior. Our thoughts were to leave the Secretary of the Interior with veto power over the leasing of specific areas when he determined such action was not the highest and best use of the public lands for the particular area.

The administration's proposal is not as clear on this issue as we would like. The proposal does not state that the Secretary has veto power, but that appears to be its intent. Clarifying the language of the proposal would help in that respect.

The administration's proposal on public lands leasing is complex and much of the detail of how it would work is left to Executive orders, agreements, and regulations which are yet to be worked out. However, we believe the thrust is in the right direction. Accordingly, we do not object to the administration's proposal subject to close congressional scrutiny as to its actual operation. Again, we will monitor such actions closely to provide the Congress with information to assist it in assessing performance.

Energy coordination

As discussed on page 24, we strongly believe that there is a need for a high-level coordinating council in the Executive Office of the President. The administration's proposal abolishes the existing Energy Resources Council. There will always remain energy and energy-related issues which are not within any new Department of Energy. Energy is such a pervasive issue that no organizational structure could capture all of its parts. A high-level council could coordinate all Federal activities related to energy. It should be headed by the Secretary of the Department of Energy.

Even more important than coordinating energy issues, however, is the simple fact that, as a Nation, many multiple goals exist, and each are sought to be reached simultaneously. Providing a strong, visable interface at the highest level to air differences of opinion and arrive at a consensus on the reconciliation of those goals with energy goals seems to us to be a high order of priority on the Nation's agenda. We believe, therefore, that the Congress should statutorily provide for such a council in any legislation which would create a Department of Energy.

GAO oversight

As noted earlier, there are certain aspects of the administration's proposal in which we believe there is a need for close congressional scrutiny. These relate to the implementation of the energy conservation performance standards program for new buildings, implementation of the automobile fuel economy standards program, the relationship of energy regulatory decisionmaking to energy policy formulation and development, and operation of the public lands leasing program.

GAO will monitor the activities of the Department of Energy closely to provide the Congress with information for assessing performance. Because of the importance of energy as a national issue, the Congress may find it useful to reaffirm GAO's existing authority and statutorily assign GAO the responsibility to continuously monitor, evaluate, and report as it deems appropriate on the policies, plans, and programs of the Department of Energy, with particular emphasis on the aspects needing close congressional scrutiny. As part of this reaffirmation, specific authority should be provided for access to all data and information within the possession or control of the Department.

Legislative mandates for GAO oversight, including specific language for access to data and information, have been provided in the past. The Federal Energy Administration Act of 1974 (P.L. 93-275) provided GAO a specific mandate for oversight of FEA operations and programs.

CONCLUSIONS AND RECOMMENDATIONS

Many of the problems in formulating a coherent national energy policy are the result of the diffusion of responsibility for major energy programs among several Federal agencies. There have been several proposals made and numerous issues raised over the years with respect to reorganization of Federal energy activities. The administration has taken action to bring about the reorganization of Federal energy functions. The Congress has expressed its commitment to enacting legislation to bring about the reorganization of Federal energy functions. In short, now is the time to effect a reorganization of the Federal energy structure.

We recommend that the Congress enact legislation to establish a Department of Energy along the general lines proposed by the administration. In enacting such legislation,

we further recommend that the Congress include provisions which would

--make clear the continued existence of the Professional Audit Review Team which was designed to provide an independent review of and reporting on the energy data functions of the Department of Energy,

--provide the Department of Energy the responsibility for setting goals for the automobile fuel economy standards program, with the Department of Transportation having an advisory role,

--specify more clearly the Department of Energy's responsibility for energy production formulation, planning, and programming,

--clarify the relationship between the Department of Energy and the Department of the Interior with respect to whether or not the Secretary of the Interior has veto power in the leasing of specific areas,

--provide for the establishment of a high-level council to coordinate energy and energy-related issues, and reconcile energy goals with other national goals, and

--reaffirm GAO's authority to continuously monitor, evaluate, and report as it deems appropriate on the policies, plans, and programs of the Department of Energy, including authority for access to data and information.

In addition, the Congress needs to carefully examine how energy regulatory functions should be treated in reorganizing energy functions. We recommend that the Congress choose one of three options listed below.

--Include energy regulatory functions--both economic and health and safety related--in the new Department of Energy. Under this approach economic and health and safety regulation could be separate entities but both would fall under a single Assistant Secretary. Statutory provisions should be included to assure maximum insulation of regulatory decisions from the policy process.

--Include only economic regulation in the Department of Energy because of the perceived importance of

establishing energy price regulatory policies which are consistent with other energy goals and consolidate health and safety regulation of energy in a separate independent Energy Health and Safety Regulatory Agency. Strong statutory provisions should be included to assure maximum insulation of economic regulation from the policy process in the Department of Energy.

--Continue to separate energy regulation--both economic and health and safety related--from energy policy formulation. Should this be done, we believe that creation of a single regulatory agency is desirable. Such an agency could provide a forum for more carefully considering the trade-offs among problems involved in different forms of energy development.